

MEETING MINUTES
LIGNITE RESEARCH COUNCIL
September 7, 2001
Doublewood Inn, Bismarck, ND

MEMBERS (or their authorized alternates) PRESENT:

John Bluemle, North Dakota Geographical Survey
Kim Christianson, North Dakota Department of Commerce
Randy Christmann, State Senator
John Dwyer, Lignite Research Council
Layton Freborg, State Senator
Terry Hildestad, Knife River Corporation
Carlyle Hillstrom, North Dakota Farm Bureau
Mike Hummel, BNI Coal, Ltd.
Marlowe Johnson, Otter Tail Power Co.
Mike Jones, Energy & Environmental Research Center
Luther Kvernen, Minnkota Power Cooperative, Inc.
Vernon Laning, Basin Electric Power Cooperative
Gary L. Nelson, Ironworkers Local #793
John Pelerine, Great River Energy
Dean Peterson, The North American Coal Corporation
Martin Schock, North Dakota Department of Health
Fred Stern, Dakota Gasification Company
Wilfred Volesky, Coal Conversion Counties Association
Susan Wefald, North Dakota Public Service Commission

OTHERS PRESENT:

David Allard, Lignite Energy Council
Jeff Burgess, Lignite Energy Council
Jim Deutsch, North Dakota Public Service Commission
Karlene Fine, North Dakota Industrial Commission
Vicki Gilmore, Lignite Energy Council
Susan Kahler, American Lung Association of North Dakota
Carmen Miller, North Dakota Attorney General's Office
Clifford R. Porter, Lignite Research Council
Jerry Vaninetti, Great Northern Power Development L.P.
Rich Voss, Great Northern Power Development L.P.
Dale Wetzel, Associated Press

Lignite Research Council (LRC) chairman John Dwyer called the LRC meeting to order on September 7, 2001 at Doublewood Inn, Bismarck, North Dakota.

Financial Summary as of July 1, 2001

Clifford Porter discussed the Lignite Vision 21 funding. For Lignite Vision 21, total estimated available funds are \$23,509,000 from the 1999-2001 biennium through the 2007-2009 biennium.

Lignite Vision 21 grant awards committed to date are \$10,000,000 to Great River Energy and \$10,000,000 to Montana-Dakota Utilities Co. Estimated uncommitted Lignite Vision 21 funding for 2001-2009 is \$3,509,000.

Porter said that the 1995 A Program Series bonds' debt service total for the 2001-2003 biennium is \$2,127,903. The bonds will mature on November 15, 2005. The investment earnings return during the 1999-2001 biennium for the Dakota Gasification Company's anhydrous ammonia project was \$316,260.

As of July 1, 2001, available fund balances from the Lignite Research Fund for the 2001-2003 biennium were as follows: \$1,300,000 for lignite marketing feasibility studies, \$1,315,256 for small research projects, \$4,721,293 for demonstration projects, and \$155,000 for the joint program. As of September 7, 2001, the estimates for all four project areas are the same, with the exception of a \$1,155,256 estimated available balance for the small research projects area.

Approval of July 25, 2001 LRC Minutes

Dwyer asked for a motion to approve the minutes of the July 25, 2001 LRC meeting. Dean Peterson so moved; seconded by Vernon Laning. Motion carried.

Lignite Research, Development and Marketing Program Updates

Porter discussed the lignite marketing feasibility studies (LMFS). Of the five new LMFS projects from 1999-2001 biennium funds, four are completed. All five projects are Lignite Vision 21-related. The one active project (LMFS-00-34) is titled "Lignite Vision 21 Project - Phase II Project Marketing and Development".

For the 17 the small research projects active during the 2001-2003 biennium, 16 are in progress and one is awaiting additional matching funding.

There are currently three active demonstration projects. These projects concern production of a gypsum plant at Coal Creek Station, the Great River Energy Lignite Vision 21 project, and Montana-Dakota Utilities Company's Lignite Vision 21 project for Gascoyne, ND. There is \$4,721,293 in available funding for demonstration projects for the 2001-2003 biennium.

Grant Round XLIII Grant Application: LRC-XLIII-A - "Lignite Vision 21 Feasibility Project"; Submitted by: Great Northern Power Development L.P.; Project Manager: Gerald E. Vaninetti; Request for: \$673,250 (Reserve for \$10,000,000); Total Project Costs: \$1,346,500 (\$700,000,000); Time Frame: 10 months.

Porter presented information about grant application LRC-XLIII-A ("Lignite Vision 21 Feasibility Project"; submitted by Great Northern Power Development L.P.). The overall goal of the project is to construct a 500 MW lignite-fired power plant. The objective of the initial study is to complete preliminary site-specific feasibility analysis for Great Northern Properties. The project proposes evaluation of sites in North Dakota near Belfield, Crooked Creek and New Salem, with Belfield identified as the most likely location. Porter said that Great Northern Power Development L.P. (GNP) proposes Phase I feasibility studies in generation technologies, siting, environmental impacts, marketing, transmission and financing.

If successful in Phase I, GNP may submit a proposal requesting \$10 million for Phase II (the construction, startup and operation of a 500 MW Lignite Vision 21 power plant). Porter said that GNP did not submit a request for \$10 million as a part of the grant application LRC-XLIII-A.

As Technical Advisor to the Lignite Research Council, Porter recommended that Phase I of the project be funded, subject to the following conditions: Funding not to exceed \$673,250; approval of detailed scope of work, budget and milestone charts; approval of progress reports; funds must be used for North Dakota lignite studies; and studies to be coordinated with other Lignite Vision 21 grant applicants.

Porter summarized the five technical peer reviewers' comments concerning LRC-XLIII-A. Technical peer reviewers 01-17 and 01-20 recommended the project be funded; 01-18, 01-19 and 01-21 recommended that funding may be considered. 01-17 said that the project meets the North Dakota Industrial Commission goals for the Lignite Research, Development and Marketing Program. 01-18 said that the project's schedule is very aggressive but achievable, and that project co-funding should be developed before the application is submitted. 01-19 said that the proposal lacks sensitivity to visibility impairment in the Class I areas, but this is a problem with all of the Lignite Vision 21 proposals. 01-19 also suggested that all Lignite Vision 21-funded parties should participate in a

conference call in the fall of 2002. 01-20 said that the project should bring into focus where new lignite generation facilities can be built. 01-21 said that air quality regulations in the Theodore Roosevelt National Park make the South Heart power plant location a challenge. 01-21 also suggested that the availability of water should be included in the study and the Montana location should be excluded. Out of an average weighted score of 250, the technical peer reviewers gave the proposal the following scores: 01-17 (199); 01-18 (179); 01-19 (189); 01-20 (202); and 01-21 (179). The average weighted score was 189.6.

Gerald (Jerry) E. Vaninetti, the project manager for proposal LRC-XLIII-A, gave a presentation concerning the proposal. Potential sites being considered for the proposed power plant are near Belfield, Manning and New Salem, with Belfield as the most likely site.

Motion to Close LRC Meeting

Dwyer requested that a motion be made to close the Lignite Research Council meeting. It was moved by Laning and seconded by Peterson that the Lignite Research Council meeting be closed pursuant to NDCC 54-17.5-06 to consider the confidential information contained in the "Lignite Vision 21 Feasibility Project" grant application submitted by Great Northern Power Development L.P. Motion carried.

Confidential Session

The Lignite Research Council went into confidential session for discussion concerning confidential information contained in the "Lignite Vision 21 Feasibility Project" grant application.

Motion to Open LRC Meeting

After the confidential session, Dwyer requested that a motion be made to open the Lignite Research Council meeting. Marlowe Johnson so moved; seconded by Susan Wefald. Motion carried.

LRC Executive Committee - Non-matching Dollars Recommendations to Industrial Commission

Dwyer asked for a motion to authorize the LRC Executive Committee as the entity to make recommendations to the Industrial Commission concerning non-matching dollars for the Lignite Research Program. Terry Hildestad so moved; seconded by Mike Hummel. Motion carried.

Compensation for Non-industry Members of LRC

Dwyer asked for a motion to recommend to the Industrial Commission that non-industry members of the LRC, in addition to their expenses, be compensated pursuant to NDCC 54.35.10 at the reimbursement

level (\$100 per day) that legislators are compensated for attending legislative interim committee meetings. Peterson so moved; seconded by Laning. Motion carried.

There are six non-industry members on the LRC. The five state and federal employees and the 12 members of the LRC who represent industry would not be eligible for this compensation.

Layton Freborg to Fill Vacancy on LRC Executive Committee

Dwyer asked John Bluemle to give a report on the nominating committee's recommendation to fill the vacancy on the LRC Executive Committee. Bluemle and Carlyle Hillstrom were the nominating committee members appointed by Dwyer. Bluemle said that the nominating committee recommends that Layton Freborg be nominated to fill the unexpired term of Chuck Reichert on the LRC Executive Committee. Reichert's term was to expire on October 25, 2002. Dwyer asked for a motion to approve the nomination of Layton Freborg to fill the vacancy on the LRC Executive Committee. Bluemle so moved; seconded by Carlyle Hillstrom. Motion carried.

Ballot results: LRC-XLIII-A: "Lignite Vision 21 Feasibility Project"

Dwyer announced that the LRC voted as follows to recommend that the Industrial Commission approve funding of Great Northern Power Development L.P.'s proposal ("Lignite Vision 21 Feasibility Project"): **Fund: 18. Do Not Fund: 1.** Following are the conditions for the recommendation:

1. Approval of the detailed scope of work, budget and milestone chart by the Industrial Commission Technical Representative;
2. Approval of progress reports:
 - a. Progress reports should be submitted on the basis of activities and tasks; and
 - b. Reports should be submitted no less than quarterly;
3. Funds must only be used for the development and use of North Dakota lignite:
 - a. Activities and studies should promote economic, efficient and clean use of North Dakota lignite that can create jobs and economic growth in North Dakota; and
 - b. Activities and studies must evaluate North Dakota lignite-fueled generation options;
4. Studies and activities to maximize efficient use of available state and industry funds and avoid duplication:
 - a. To the extent practical and consistent with timely completion and to the mutual benefit of the parties while protecting each parties confidentiality, environmental, generation and transmission studies should be done in cooperation with other entities; and
 - b. The state should not fund duplicative studies by approved multiple Lignite Vision 21 applicants.

The LRC's recommendation will be considered by the North Dakota Industrial Commission at its September 17, 2001 meeting.

The next regularly scheduled meeting of the Lignite Research Council will be at 11:00 a.m. October 30, 2001 at Radisson Inn, Bismarck. Dwyer said that the starting time of the October 30th meeting might be earlier because there are currently five grant applications to consider at the meeting.

Adjournment

There being no further business, Dwyer asked for a motion to adjourn the meeting. Laning so moved; seconded by Mike Jones. Motion carried.

Vicki Gilmore, Recording Secretary
